

External assessment markbands—SL and HL

Paper 1 (SL/HL)

Section A and section B

Part (a)

Level	Level descriptor	Marks 0–10
0	The work does not reach a standard described by the descriptors below.	0
1	There is little understanding of the specific demands of the question. Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	1–3
2	There is some understanding of the specific demands of the question. Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	4–6
3	There is understanding of the specific demands of the question. Relevant economic terms are defined. Relevant economic theory is explained and applied. Where appropriate, diagrams are included and applied. Where appropriate, examples are used. There are few errors.	7–8
4	There is clear understanding of the specific demands of the question. Relevant economic terms are clearly defined. Relevant economic theory is clearly explained and applied. Where appropriate, diagrams are included and applied effectively. Where appropriate, examples are used effectively. There are no significant errors.	9–10

Section A and section B

Part (b)

Level	Level descriptor	Marks 0–15
0	The work does not reach a standard described by the descriptors below.	0
1	There is little understanding of the specific demands of the question. Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	1–5
2	There is some understanding of the specific demands of the question. Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	6–9
3	There is understanding of the specific demands of the question. Relevant economic terms are defined. Relevant economic theory is explained and applied. Where appropriate, diagrams are included and applied. Where appropriate, examples are used. There is an attempt at synthesis or evaluation. There are few errors.	10–12
4	There is clear understanding of the specific demands of the question. Relevant economic terms are clearly defined. Relevant economic theory is clearly explained and applied. Where appropriate, diagrams are included and applied effectively. Where appropriate, examples are used effectively. There is evidence of appropriate synthesis or evaluation. There are no significant errors.	13–15

Use the question-specific markscheme together with the markbands. Award up to the maximum marks as indicated.

SECTION A

Microeconomics

1. (a) Using a diagram, explain why demerit goods are considered to be an example of market failure. [10 marks]

Answers may include:

- definitions of a demerit good, market failure and negative externality of consumption
- explanation that a demerit good is a good that has negative externalities of consumption
- explanation of why demerit goods would be over-provided in a free market
- diagram of a negative consumption externality showing that a demerit good would be over-provided in a free market
- examples of demerit goods.

Assessment Criteria

Part (a) 10 marks

Level	Marks
0 The work does not reach a standard described by the descriptors below.	0
1 There is little understanding of the specific demands of the question. Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	1–3
2 There is some understanding of the specific demands of the question. Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	4–6
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4 There is clear understanding of the specific demands of the question. Relevant economic terms are clearly defined. Relevant economic theory is clearly explained and applied. Where appropriate, diagrams are included and applied effectively. Where appropriate, examples are used effectively. There are no significant errors.	9–10

- (b) Evaluate *two* possible government responses that could be used to address the problem of demerit goods.

[15 marks]

N.B. It should be noted that definitions, theory, and examples that have already been given in part (a), and then referred to in part (b) should be rewarded.

Answers **may** include:

- definition of an indirect tax
- explanation of possible government responses such as taxation, legislation, outright ban, education or negative advertising
- diagrams to show the imposition of an indirect tax, the effects of negative advertising and education
- examples of government responses to negative externalities
- synthesis or evaluation.

If only one possible government response is evaluated, a maximum of level 2 (*9 marks*) may be awarded.

Evaluation **may** include: the relative difficulties of applying the policies to reduce the consumption of demerit goods.

Opinions or conclusions should be presented clearly and supported by appropriate examples.

2. (a) Analyse the consumption externalities which might arise from the provision of education and health care for the citizens of a country. *[10 marks]*

Answers **may** include:

- definition of positive externalities
- theory of positive externalities in relation to $MSB > MSC$ and/or $MSB > MPB$, applied to health care and education
- diagrams to show the impact of positive externalities of consumption
- examples of positive externalities arising from education and health care in terms of better educated and healthier labour force leading to increased productivity.

- (b) **Evaluate the use of government policies to increase the consumption of health care.**

[15 marks]

N.B. It should be noted that definitions, theory and examples that have already been given in part (a), and then referred to in part (b), should be rewarded.

Answers **may** include:

- explanation of health care as a merit good/service which is likely to be underprovided by the free market (market failure)
- diagrams to show under-provision of merit goods through the price mechanism
- identification and explanation of different government responses, *eg* direct provision, subsidies, legislation and advertising to influence consumer behaviour
- diagrams to show the use of subsidies and advertising
- synthesis or evaluation.

Evaluation **may** include: an assessment of the effectiveness of each of the relevant policies.

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Opinions or conclusions should be presented clearly and supported by appropriate examples.